

Improper Payments

**Plenary Session/Panel Discussion
Chief Financial Officers Council**

15th Annual Government

Financial Management Conference

August 10, 2005

Panel Members

- Evelyn A. Brown, Deputy CFO (OPM)
- Danny Werfel, Chief, Financial Integrity and Analysis Branch, Office of Federal Financial Management (OMB)
- Jerry Vaiana, Deputy Assistant, CFO for Financial Management, Housing and Urban Development (HUD)

CFOC's Erroneous Payments Committee

- Chartered prior to the enactment of the Improper Payments Information Act, the CFO Counsel's Erroneous Payments Committee continues to assist agencies in identifying and reducing improper payments within their programs and activities.
- A forum for sharing best practices and common challenges to accomplish the objectives of the IPIA and OMB Memorandum 03-13
- Made up of representatives from most major agencies
- Chaired by Clarence C. Crawford, CFO, OPM

Accomplishments of Committee

- Standardized format for reporting IPIA activities and data in the PAR
- Guidance for large, complex programs unable to perform statistical sampling to generate an annual improper payment rate
- Various recommendations on identifying improper payments in grant programs
- Sponsored a joint government-private sector “Industry Day” to find private sector solutions to overarching improper payment measurement challenges across government

Industry Day – April 2005

- ✓ **Format** - Representatives from federal sector agency programs presented to private sector problems with addressing improper payments
- ✓ **Task** - Private Sector organizations were asked to submit RFI's with suggestions/ideas for resolving component problems
- ✓ **Result** - 27 Responses were received and are being reviewed by the IP Committee
- ✓ **Action** - An RFP will be issued in late fall assuming “good” ideas and solutions are identified

FY 2005 and Beyond

- Expand efforts to identify cross-cutting solutions for improved measurement and reduction of improper payments
- Seek alternative approaches for estimating and reducing improper payments in grant areas – an area that presents unique opportunities for cross-agency cooperation
- Focus attention on the programs with the most significant improper payments to ensure that the taxpayer receives the best possible return on investment for federal time and resources

Improving the Accuracy and Integrity of Federal Payments

Danny Werfel

Office of Federal Financial Management

Office of Management and Budget

August 10, 2005

Where we began...

- OMB Circular A-11, Section 57 identified high risk programs.
- OMB estimated \$35 billion in improper payments based on 2001 data.
- IPIA enacted late 2002.
- Implementation Guidance M-03-13 issued May 2003.

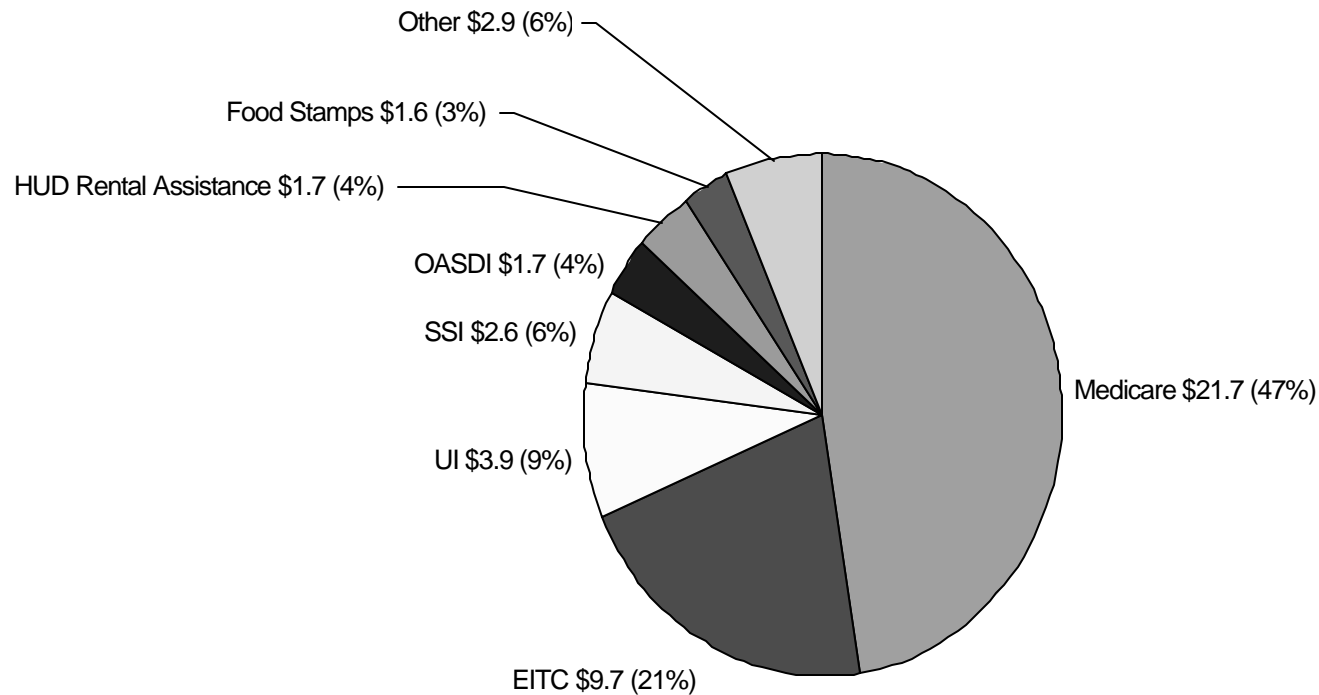
Current Status

- FY 2004 PARs – 1st full year reporting of IPIA implementation.
- \$2.3 trillion in outlays reviewed by agencies.
- New PMA initiative started Q105.
- OMB issued govt-wide report Jan. 2005

What we learned from this year's PARs:

- \$45.1 billion in improper payments identified by reporting programs.
- 7 programs account for 95% of IPs (Medicare, EITC, UI, SSI, OASDI, Public Housing, and Food Stamps.)
- Medicare - \$21.7 billion
- Medicaid to report next year.
- Significant decreases projected in next 3 years

7 Programs Account for 95% of the Govt-Wide Improper Payment Total

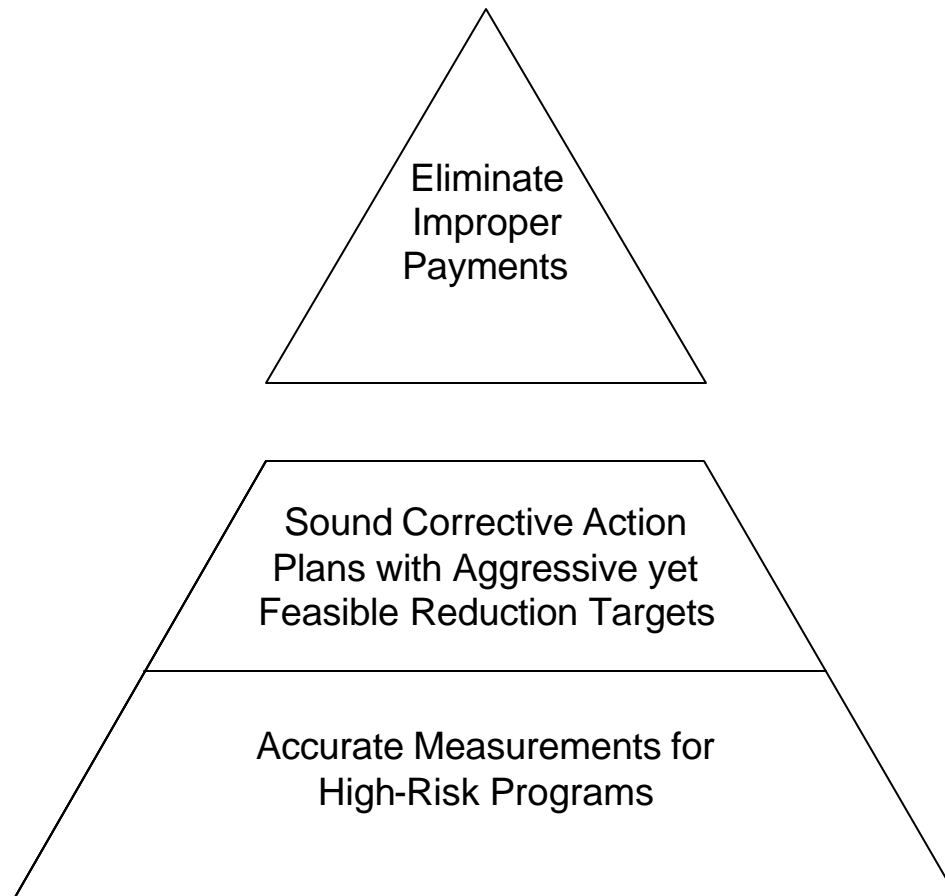


The PMA Initiative

Eliminating Improper Payments

- 15 agencies involved.
- Getting to yellow – detection and measurement
- Getting to green – reduction and recovery

Our path to success – Improper Payments...



Key challenges remain...

- Measurement strategies for larger and more complex programs.
- Tracking payments beyond the primary recipient for grant programs.
- Conserving Federal resources as well as avoiding undue burden on recipients.
- Identifying/implementing the right corrective actions.

Effective approaches...

- **Data matches** - agencies conduct automated reconciliation/ confirmation between payment recipient reported data and third party sources of data. (HUD, SSA, DOL)
- **Card technology** – agencies reduce IPs at the point in time where payment is received by requiring the recipient to present a card that “holds” information necessary to confirm identity and eligibility. (USDA/Food Stamps and Child Care programs in OK and IL.)
- **Data mining** – agencies implement an automated process for scanning data bases to detect patterns, trends or anomalies to highlight. (HHS/Medicare)

Going forward...

- Leveraging private sector solutions to:
 - improve risk management
 - make smarter eligibility decisions
 - increase use of card technology.
- RFI for private sector solutions to prevent improper payments for “Big 7.”
- Foster partnerships with States.
- Single Audit pilots – DOT/HHS/EPA
- Modify OMB guidance